



**FILED**

08-30-07

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Implement the Commission's  
Procurement Incentive Framework and to Examine the  
Integrations of Greenhouse Gas Emissions Standards into  
Procurement Policies

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Rule making R.06-04-009

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California Energy Commission  
Docket No. 07-0IIP-01

**REPLY COMMENTS OF COVANTA ENERGY CORPORATION  
ON PROPOSED DECISION OF COMMISSIONER PEEVEY RELATED TO AN "INTERIM  
OPINION ON REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN  
THE ELECTRICITY SECTOR"**

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August 30, 2007

**REPLY COMMENTS OF COVANTA ENERGY CORPORATION  
ON PROPOSED DECISION OF COMMISSIONER PEEVEY RELATED TO AN “INTERIM OPINION ON  
REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR”**

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, Covanta Energy Corporation submits its Reply to Comments of the Proposed Decision (PD) of Commissioner Peevey related to an “Interim Opinion on Reporting and Tracking of Greenhouse Gas Emissions in the Electric Sector.” The PD presents recommendations that would be forwarded by the Commission to the California Air Resources Board (CARB) for purposes of integration into the implementation of the state’s greenhouse gas (GHG) emissions reduction goals.

In reply, Covanta Energy Corp. supports the comments made by the Independent Energy Producers Association (IEP) on August 24, 2007, specifically those statements made in Section III (page 6). More specifically, Covanta’s issue is with the following recommendation made in the PD: “ARB attribute emissions for purchases from specified sources based on emission factors of the specified resource only if (a) the purchase is made through a PPA that was in effect prior to January 1, 2008 and either still in effect or has been renewed without interruption, or (b) the purchase is made through a PPA from a power plant that became operational on or after January 1, 2008.” Our comments are as follows:

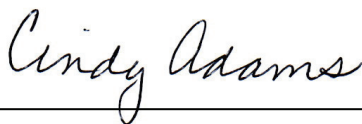
- This above recommendation will force lower emitting generators, such as Covanta’s plants in California, to re-contract with their existing buyers in order to realize the value of their low emissions. This places them at a distinct disadvantage if they wish to negotiate contracts with other buyers.
- For example, if an existing plant renews its PPA with the current buyer (with no interruption) its actual emissions would be reported. But, if the same plant enters into a new PPA (with the current buyer after an interruption or other third party), it would be assigned the default emissions rate instead of the actual emissions rate. This is not fair, as it would place the plant at a distinct disadvantage when re-negotiating its PPA with the current buyer, and would totally eliminate its ability to contract with other potential purchasers for no apparent reason or logic.

- The default emissions factors suggested by the PD are inaccurate, especially for low emissions, renewable generators like Covanta, and would undermine the intent of AB 32 to accurately track GHG emissions in order to reduce those emissions.
- Covanta's various types of renewable energy facilities in California all have low carbon profiles and would be severely impacted by use of a default emission factor. The amount of GHG emissions reported should not change due to a change in contractual relationship, and doing so adversely affects the accuracy of GHG emissions reporting for AB 32.

Covanta appreciates the opportunity to submit reply comments and looks forward to participating further in this proceeding. Please do not hesitate to contact me at 973-822-4144 should you have any questions or comments. Furthermore, Covanta would welcome the opportunity to meet with you to further explain this letter and demonstrate our position.

Dated August 30, 2007, at Fairfield, New Jersey

Respectfully Submitted,

A handwritten signature in cursive script that reads "Cindy Adams". The signature is written in black ink and is positioned above a horizontal line.

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Proof of Service

I, Lisa C. Rodriguez, hereby certify that on August 30, 2007, I have served a copy of the

**REPLY COMMENTS OF COVANTA ENERGY CORPORATION  
ON PROPOSED DECISION OF COMMISSIONER PEEVEY RELATED TO AN "INTERIM OPINION ON  
REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR"**

Upon all parties listed on the Service List for this proceeding, R-06-04-009 listed on the most recently updated service list available on the California Public Utilities Commission website, via email to those listed with email and via U.S. mail to those without email. I also mailed courtesy copies to be mailed via U.S. mail as follows:

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/s/Lisa C. Rodriguez  
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